



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HENRY COUNTY CLERK**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY
HENRY COUNTY
RHONDA CARPENTER, COUNTY CLERK
CALENDAR YEAR 1999

On June 26, 2000, fieldwork was completed on the calendar year 1999 Henry County Clerk's fee audit. An unqualified opinion was rendered on the financial statements.

Deposits:

The County Clerk's deposits were uncollateralized by \$91,245 on April 9, 1999.

Leases:

The County Clerk is committed to two copy machine leases with Xerox Corporation. The first lease requires a monthly payment of \$85 for 42 months to be completed on January 1, 2002. The balance on the agreement is \$1,776 as of December 31, 1999. The second lease requires a monthly payment of \$158 per month for 54 months to be completed on June 1, 2002. The balance on the agreement is \$4,082 as of December 31, 1999.

Fee Account Financial Position:

Adequate funds were available to pay all 1999 obligations.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	6
COMMENTS AND RECOMMENDATIONS.....	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	15



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Tommy Bryant, Henry County Judge/Executive
Honorable Rhonda M. Carpenter, Henry County Clerk
Members of the Henry County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Henry County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Tommy Bryant, Henry County Judge/Executive
Honorable Rhonda M. Carpenter, Henry County Clerk
Members of the Henry County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated June 26, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 26, 2000

HENRY COUNTY
RHONDA M. CARPENTER, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

State Fees For Services	\$	7,520
-------------------------	----	-------

Fiscal Court		9,334
--------------	--	-------

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	308,858
------------------------	----	---------

Usage Tax		1,376,120
-----------	--	-----------

Tangible Personal Property Tax		865,627
--------------------------------	--	---------

Licenses-

Marriage		4,589
----------	--	-------

Other Taxes and Licenses		1,682
--------------------------	--	-------

Deed Transfer Tax		38,209
-------------------	--	--------

Delinquent Tax		100,170
		2,695,255

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	13,519
---------------------------------	----	--------

Real Estate Mortgages		28,027
-----------------------	--	--------

Chattel Mortgages and Financing Statements		55,941
--	--	--------

Powers of Attorney		1,143
--------------------	--	-------

Releases		11,940
----------	--	--------

All Other Recordings		3,371
----------------------	--	-------

Charges for Other Services-

Copywork and Postage		4,037
		117,978

Other:

Miscellaneous	\$	2,929
---------------	----	-------

Refunds and Overpayments		6,386
		9,315

Interest Earned		3,086

Gross Receipts (Carried Forward)	\$	2,842,488
----------------------------------	----	-----------

HENRY COUNTY
 RHONDA M. CARPENTER, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Gross Receipts (Brought Forward) \$ 2,842,488

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 226,603

Usage Tax 1,333,060

Tangible Personal Property Tax 321,022

Licenses-

Delinquent Tax 14,603

Legal Process Tax 17,099 \$ 1,912,387

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 73,612

Delinquent Tax 10,158

Deed Transfer Tax 36,298 120,068

Payments to Other Districts:

Tangible Personal Property Tax \$ 432,324

Delinquent Tax 46,224 478,548

Payments to Sheriff 3,515

Payments to County Attorney 16,659

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies Salaries \$ 120,295

Materials and Supplies-

Office Supplies 17,913

Other Charges-

Conventions and Travel 450

Refunds 8,226

Postage 4,776

RHONDA M. CARPENTER, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:
 (Continued)

Capital Outlay-		
Office Equipment	\$ 15,642	
Indexing Equipment and Software	<u>24,915</u>	<u>\$ 192,217</u>
Total Disbursements		<u>\$ 2,723,394</u>
Net Receipts		\$ 119,094
Less: Statutory Maximum		<u>57,765</u>
Excess Fees		\$ 61,329
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for Calendar Year 1999		\$ 57,729
Payments to County Treasurer - March 13, 2000		<u>57,729</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.22 percent through June 30, 1999 and 7.28 percent from July 1, 1999 to December 31, 1999.

HENRY COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 1999
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 9, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$91,245 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 9, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by the county official's agent in the county official's name	\$ 50,000
Uncollateralized and uninsured	<u>91,245</u>
Total	<u><u>\$ 141,245</u></u>

Note 4. Leases

- A. The County Clerk is committed to a lease agreement with Xerox Corporation for a copy machine. The agreement requires a monthly payment of \$85 for 42 months to be completed on January 1, 2002. The balance on the agreement is \$1,776 as of December 31, 1999.
- B. The County Clerk is also committed to another lease agreement with Xerox Corporation for a copy machine. The agreement requires a monthly payment of \$158 per month for 54 months to be completed on June 1, 2002. The balance on the agreement is \$4,082 as of December 31, 1999.

THIS PAGE LEFT BLANK INTENTIONALLY

COMMENT AND RECOMMENDATION

HENRY COUNTY
RHONDA M. CARPENTER, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 1999

STATE LAWS AND REGULATIONS:

The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On April 9, 1999, \$91,245 of the County Clerk's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County Clerk require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Clerk's Response:

Depository Bank was contacted and are pledging more securities.

PRIOR YEAR:

The County Clerk Did Not Have A Written Agreement To Protect Deposits Until May 19, 1998

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The County Clerk had a bank balance of \$249,097; FDIC insurance of \$100,000; and securities pledged of \$50,000 on April 9, 1998. Even though the County Clerk obtained pledged securities of \$50,000, the pledge was not evidenced by a written agreement until May 19, 1998. We recommend the County Clerk obtain sufficient collateralization to cover all additional bank deposits. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

Clerk was unaware of this requirement at the beginning of the year under audit but established an agreement with the bank during the year ended 12/31/98.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Tommy Bryant, Henry County Judge/Executive
Honorable Rhonda M. Carpenter, Henry County Clerk
Members of the Henry County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Henry County Clerk as of December 31, 1999, and have issued our report thereon dated June 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Henry County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henry County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Tommy Bryant, Henry County Judge/Executive
Honorable Rhonda M. Carpenter, Henry County Clerk
Members of the Henry County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 26, 2000

